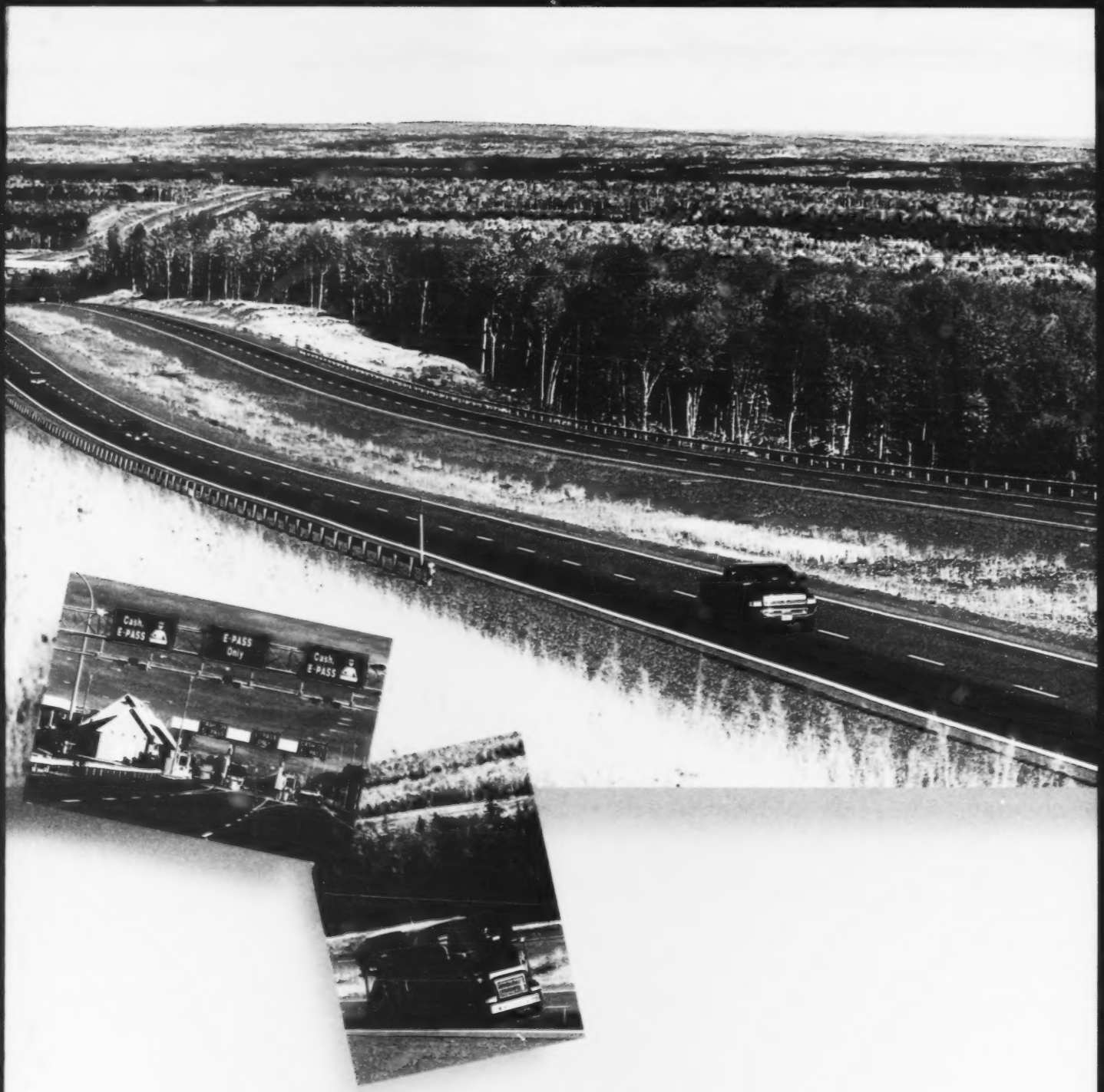


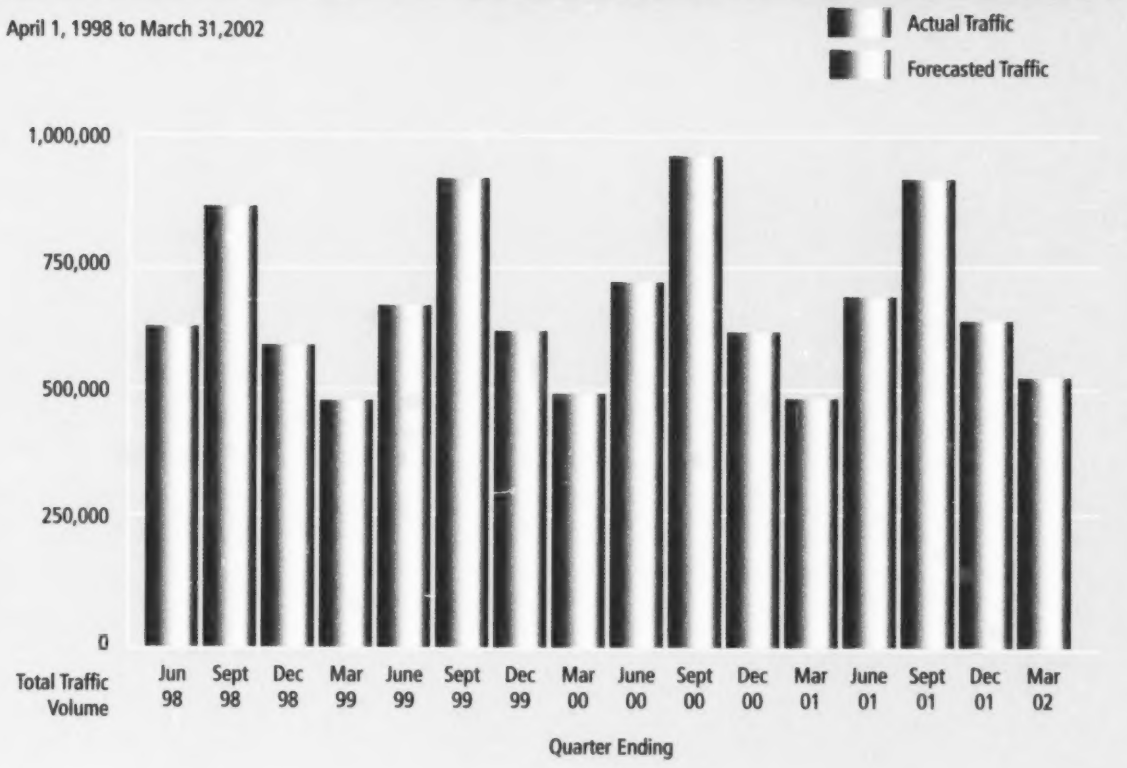
Maintaining a high standard

Facts at a Glance

- 45 kilometres between Masstown and Thomson Station
- Twinned, four-lanes
- Wide median: 22.6 metres
- 110 km/hr
- Five full interchanges
- Six major bridges
- Five large tunnels under the road for access to land parcels, snowmobile trails and wildlife passages
- 18 kilometres of access roads
- Constructed by Atlantic Highways Corporation, a subsidiary of Canadian Highways International Corporation, in 20 months. (A national industry publication called Cobequid Pass the fastest highway ever to be designed and constructed in Canada.)
- The 104 Corporation contracts the management of the toll plaza to Atlantic Highways Management Corporation
- Opened November 15, 1997
- Average daily traffic: cars - 5981; commercial vehicles - 1588

Forecasted Traffic versus Actual Traffic

April 1, 1998 to March 31,2002



103-02715/

Letters to Stake Holders

President's Message

As Cobequid Pass completes its fifth year of Operation, the highway continues to be an excellent and efficient transportation facility. Those who travel Cobequid Pass will note its smoothness, cleanliness and high degree of maintenance. Maintaining Cobequid Pass as a first rate facility could not be accomplished without the help, support and dedication of our partners — the Nova Scotia Department of Transportation and Public Works who represents our Shareholder, the Province of Nova Scotia, our Bondholders Representative — CIT Structured Finance, and our Independent Maintenance Engineer – McCormick Rankin. The Department of Transportation and Public Works is at the forefront of our efforts as they provide Annual Maintenance Services in the form of snow plowing and ice control and are also the Maintenance Manager for our long-term major maintenance projects.

Lee Rankin and Don Piercey

The ability to maintain Cobequid Pass as a first class facility is due to its unique financing and the foresight to fund major maintenance out of toll revenues. The Major Maintenance Reserve Fund is required to have sufficient funds throughout our 30-year concession period to pay for all programmed maintenance such as surface treatments, shoulder regravelling and repaving. The fund established at the opening of the highway in November 1997 receives quarterly contributions out of toll revenues and is periodically reviewed by the Corporation, Bondholders' Representative and Independent Maintenance Engineer to ensure that sufficient funds are available to meet all major maintenance needs. Any additional improvements that are identified as being beneficial to the Cobequid Pass are evaluated and after consultation with with the Bondholders' Representative and Independent Engineer, may be funded with additional contributions to the Major Maintenace Reserve Fund.

Our initial Major Maintenance work was completed this past fiscal year. The Corporation funded $1.17 Million in Major Maintenance consisting of regravelling the shoulders over the entire length of Cobequid Pass, repaving of the approaches to the Toll Plaza and 24 lane kilometres of Micro-surfacing on the Eastbound Lanes. Our Major Maintenance Reserve Fund model is recognized as being one of the best models available in ensuring the highest possible level of serviceability and preventative maintenance. Ensuring our patrons of an excellent and efficient highway is of prime concern to the Corporation. The Corporation has demonstrated over the past five years its commitment to customer service and I am certain with the aid of our partners Cobequid Pass will continue to provide this degree of service well into the future.

Lee Rankin
President

General Manager's Message

When the Corporation begins compiling the information for our Annual Report one always hopes to be able to comment about major events or significant milestones to highlight the performance of Cobequid Pass. As time passes I am often unable to point to any one particular occurrence or event to showcase our facility. Hopefully this is an indication that Cobequid Pass is an efficient well-run facility where the Corporation's commitment to customer service, excellent administration, and continued high quality is paramount. The positive comments I receive from the public and commercial users regarding Cobequid Pass is most gratifying and the Corporation will continue to strive in providing the utmost in service to our patrons.

Cobequid Pass's financial performance continues to exceed the original baseline modelling however overall traffic showed a 0.5% decrease from last year. Revenues, however, showed a significant increase due to the effect of the 2001 toll increase being fully realized. Interest income was affected by lower interest rates; however, the overall financial performance was such that total revenues continue to be 25% higher than projections and 15% higher than the past fiscal year. Cobequid Pass appears to have weathered world events that have decreased traffic and interest rates and indications are that traffic growth is returning. The Corporation welcomes the financial performance as it allows a degree of flexibility with a number of major contracts due for renewal next year.

The Western Alignment Corporation could not run efficiently or effectively without the direction of our President Lee Rankin nor without the wise counsel and advice provided by our lawyers McInnis Cooper, our auditors Grant Thornton LLP, our Independent Maintenance Engineer McCormick Rankin and our Shareholder the Province of Nova Scotia represented by the Department of Transportation and Public Works.

Included with this report are our Audited Financial Statements illustrating our financial position and how toll revenues, our sole source of funding, are spent. Revenues and expenditures of a user-pay facility are always of great interest to the public and particularly our patrons. Due to the complexity and unique nature of our financing I would suggest those evaluating the Corporation's financial performance to consult the notes accompanying the statements. In addition to the Audited Financial Statements, this Annual Report outlines the history of the Western Alignment Corporation and the creation of Cobequid Pass. We are always happy to answer any questions you may have. Information on how to reach us is on the back cover.

Don Piercey
General Manager

Administration and Accountability

Toll attendant giving directions

Background

Creating the Highway 104 Western Alignment Corporation was key to creating Cobequid Pass. Unique to infrastructure financing in Canada, the Corporation is neither a Crown corporation, nor an agent of the Crown. Its sole purpose, by statute, is to manage the finance, design, construction, operation and maintenance of Cobequid Pass.

The Corporation's mandate is to manage toll revenues until the year 2026, and maintain the schedule set to repay investors and fund annual and long term maintenance. The Corporation's sole source of revenue is tolls.

Because the funding for Cobequid Pass flows only through the 104 Corporation, the highway's debt does not belong to the province of Nova Scotia, nor does the province guarantee the debt. However, because public monies are involved in the highway's financing, and because the 104 Corporation is wholly owned by the Crown, its operations may be scrutinized annually by the Auditor General.

Operating independent of government, the 104 Corporation is the entity that permitted non-recourse financing, meaning private investors can lay no claim on government assets or money in the unlikely event toll revenue should fail to provide a return on investment.

Athena Koros, CMA, Controller

Patricia Belleza, Administrative support

Administration

One of the Corporation's primary administrative responsibilities is ensuring toll revenue is collected and distributed according to the agreements signed by the government of Nova Scotia, Atlantic Highways Corporation, CIT Structured Finance formerly Newcourt Credit Group, the Bondholders' representative, the Nova Scotia Department of Finance as the noteholders' representative, and the 104 Corporation.

This responsibility includes maintaining budget control, issuing payment directives, and ensuring that parties to the agreements are meeting obligations in a timely fashion. It also means keeping communication lines open and direct between all parties.

The administration of the Highway 104 Western Alignment Corporation is led by its General Manager, Don Piercey, who has operated in this capacity since construction began, and by the Controller, Athena Koros, CMA, who has managed reporting for the Corporation since the highway opened. Patricia Belleza provides support.

Accountability

The financial activities of the Corporation are carefully scrutinized by its auditors Grant Thornton LLP and by CIT Structured Finance.

Detailed reports of the highway's operation are given to the Deputy Minister of the Department of Transportation and Public Works, and he in turn informs the Minister of Transportation and Public Works as the owner. The Minister is well equipped to respond to questions from the public, Cabinet, Members of the Legislative Assembly, and the media, as is the Corporation's General Manager.

The Highway 104 Western Alignment Corporation is represented on the Department of Transportation and Public Works' Steering Committee, and meetings are scheduled regularly with Atlantic Highways Management Corporation executives at the toll plaza.

The Auditor General of Nova Scotia has the right to review the 104 Corporation's activities.

Maintenance

With a budget of $650,000, adjusted annually for inflation, the Department of Transportation and Public Works provides maintenance on Cobequid Pass under the terms of the Annual Maintenance Agreement. The majority of this work consists of snow and ice removal during the winter months. The Department of Transportation also performs annual line painting, guardrail replacement and repair, litter removal, and other duties to ensure the highway is maintained at a high standard.

The Corporation funded $1.17 million in Major Maintenance during the past fiscal year. This work consisted of re-gravelling the shoulders over the entire length of Cobequid Pass, repaving of the approaches to the Toll Plaza, and 24 lane kilometres of Micro-surfacing on the Eastbound Lanes. This work is funded through the Corporation's Major Maintenance Reserve Fund and involves no public monies.

Atlantic Highways Management Corporation

The toll operations are run by Atlantic Highways Management Corporation (AHMC), a subsidiary of the contractor, Atlantic Highways Corporation (AHC). Both are owned by Aecon. AHC guaranteed the highway for three years, an unprecedented warranty period, and any deficiencies were repaired at their expense.

The electronic tolling system managed by AHMC links vehicles carrying a transponder to a computerized account and automatically deducts the toll. Developed by SIRIT Inc., the system provides for automatic toll collection and cash transactions with built-in audit capabilities. Eleven hundred and fifty transponder units were sold this fiscal year.

AHMC employs 37 people at the toll plaza, most from Cumberland-Colchester. The Corporation actively supports local non-profit organizations, particularly those involved in youth activities. AHMC has provided funding to softball and hockey teams, local schools and the Great Village and Westchester Fire Departments.

Aecon is an alliance of the project management and engineering firms Ambro Construction Ltd. and BFC Construction Corporation.

Robert Meyers, Maintenace Manager for Toll Plaza

Wayne Crossan, General Manager Tolling Operations

How Cobequid Pass and its Ongoing Maintenance

Cobequid Pass is the only highway in Nova Scotia that required a relatively small one-time initial investment from governments for its construction. It is also the only highway that covers the cost of its annual and long-term maintenance over a 30-year period.

The terms of the agreement between the partners detail how toll revenue is used to repay investors, cover toll operations, and fund long and short term maintenance.

It's a complex agreement. Here's how it works:

Funding	Amount	Provided by
Senior Bond Issue	$51.0 million	CIT Structured Finance
Junior Bond Issue	**$9.9 million**	**CIT Structured Finance**
Subordinate Notes	$5.5 million	Province of Nova Scotia
Equity	**$1**	**Province of Nova Scotia**
Interest Earnings		From all investments and bank accounts
Federal Funding	**$27.5 million**	**Government of Canada**
Provincial Funding	$27.5 million	Government of Nova Scotia

Operations

The **Project Account** was established to:

- Pay the Highway 104 Western Alignment Corporation's ongoing administrative costs
- Pay operating and maintenance costs for Cobequid Pass.

Every month the 104 Corporation transfers any cash balance from the Project Account into the Capital Reserve Account. By agreement, the Project Account keeps only a balance equal to two months of its operating/administrative budget.

The sources of cash for the Project Account are:

- Toll revenue
- Any cash not used during construction
- Investment interest

Excellent customer service

The **Capital Reserve** account is used to:

- Pay Trustee fees
- Pay accrued unpaid interest
- Pay senior bond debt and junior bond debt as per scheduled quarterly repayment dates
- Meet the minimum funding requirements of the Debt Service Reserve Account if required. (The Debt Service Reserve Account must be funded at one full year of Senior Debt Payments, according to the amortization schedule, at any given time.)
- Meet the funding requirements of the Major Maintenance Reserve Fund
- Pre-pay the debt

The sources of cash for the Capital Reserve account are:

- The Project Account: All monies in excess of two months operating and administrative budget are deposited to the Capital Reserve Account
- All excess funds in the Debt Service Reserve Account (DSRA). The DSRA, on any given bond principal and interest payment date, can only hold the scheduled Senior Bond repayments for the following 12 month period.

Senior Debt Service Coverage Ratio (DSCR)

The Senior Debt Service Coverage Ratio must be 1.2:1 at any time during the first 36 months after December 31, 1997, the Date of Acceptance, and 1.3:1 at any time after the 36th month after the Date of Acceptance.

If the Senior Debt Service Ratio is larger than 1.3:1 but less than 1.6:1 then all funds in excess of expenditures and bond repayment are accumulated in the Capital Reserve Fund where they are placed in permitted investments.

Major Maintenance Reserve Fund (MMRF)

The Major Maintenance Reserve Fund ensures that once the three-year warranty runs out on the highway there are funds available to pay for major maintenance costs such as repaving.

The first contribution to the MMRF fund came from the Subordinate Notes which were issued in November 1997. This was a total amount of $500,000. The Financing Agreements require that specific quarterly contributions be made to the MMRF from the Capital Reserve Fund.

How Cobequid Pass and its Ongoing Maintenance

Cobequid Pass is the only highway in Nova Scotia that required a relatively small one-time initial investment from governments for its construction. It is also the only highway that covers the cost of its annual and long-term maintenance over a 30-year period.

The terms of the agreement between the partners detail how toll revenue is used to repay investors, cover toll operations, and fund long and short term maintenance.

It's a complex agreement. Here's how it works:

Senior Bond Issue	$51.0 million	CIT Structured Finance
Junior Bond Issue	**$9.9 million**	**CIT Structured Finance**
Subordinate Notes	$5.5 million	Province of Nova Scotia
Equity	**$1**	**Province of Nova Scotia**
Interest Earnings		From all investments and bank accounts
Federal Funding	**$27.5 million**	**Government of Canada**
Provincial Funding	$27.5 million	Government of Nova Scotia

Operations

The **Project Account** was established to:

- Pay the Highway 104 Western Alignment Corporation's ongoing administrative costs
- Pay operating and maintenance costs for Cobequid Pass.

Every month the 104 Corporation transfers any cash balance from the Project Account into the Capital Reserve Account. By agreement, the Project Account keeps only a balance equal to two months of its operating/administrative budget.

The sources of cash for the Project Account are:

- Toll revenue
- Any cash not used during construction
- Investment interest

Excellent customer service

The **Capital Reserve** account is used to:

- Pay Trustee fees
- Pay accrued unpaid interest
- Pay senior bond debt and junior bond debt as per scheduled quarterly repayment dates
- Meet the minimum funding requirements of the Debt Service Reserve Account if required. (The Debt Service Reserve Account must be funded at one full year of Senior Debt Payments, according to the amortization schedule, at any given time.)
- Meet the funding requirements of the Major Maintenance Reserve Fund
- Pre-pay the debt

The sources of cash for the Capital Reserve account are:

- The Project Account: All monies in excess of two months operating and administrative budget are deposited to the Capital Reserve Account
- All excess funds in the Debt Service Reserve Account (DSRA). The DSRA, on any given bond principal and interest payment date, can only hold the scheduled Senior Bond repayments for the following 12 month period.

Senior Debt Service Coverage Ratio (DSCR)

The Senior Debt Service Coverage Ratio must be 1.2:1 at any time during the first 36 months after December 31, 1997, the Date of Acceptance, and 1.3:1 at any time after the 36th month after the Date of Acceptance.

If the Senior Debt Service Ratio is larger than 1.3:1 but less than 1.6:1 then all funds in excess of expenditures and bond repayment are accumulated in the Capital Reserve Fund where they are placed in permitted investments.

Major Maintenance Reserve Fund (MMRF)

The Major Maintenance Reserve Fund ensures that once the three-year warranty runs out on the highway there are funds available to pay for major maintenance costs such as repaving.

The first contribution to the MMRF fund came from the Subordinate Notes which were issued in November 1997. This was a total amount of $500,000. The Financing Agreements require that specific quarterly contributions be made to the MMRF from the Capital Reserve Fund.

...re Funded

Cash Flow Diagram

Junior Debt Service processes have been omitted for clarity

Auditor's Report

To the Shareholder of Highway 104
Western Alignment Corporation

We have audited the balance sheet of Highway 104 Western Alignment Corporation as at March 31, 2002, and the statements of earnings and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP
Chartered Accountants
Halifax, Canada
June 12, 2002

Highway 104 Western Alignment Corporation

Statements of Earnings (Loss) and Deficit

Year Ended March 31

	2002	2001
Revenue		
Facility revenue	$ 13,515,205	$ 11,565,742
Interest income	510,021	598,041
	14,025,226	12,163,783
Expenses		
Bondholder representative fees	191,407	98,015
Trustee fees	27,603	28,769
Salaries and benefits	174,158	163,211
Office	46,686	47,561
General and administrative	183,143	139,533
Enforcement	60,000	60,000
Independent engineer	29,956	33,837
Routine maintenance	689,084	776,009
Major maintenance	1,174,708	-
Facility operations	1,609,072	1,508,095
Transponders	36,714	49,801
	4,222,531	2,904,831
Earnings before other items	9,802,695	9,258,952
Other items		
Government assistance amortization (Note 2)	1,092,804	1,040,766
Amortization and depreciation	(2,576,310)	(2,455,511)
Interest on long term debt	(8,315,568)	(8,163,047)
Net earnings (loss)	$ 3,621	$ (318,840)
Deficit, beginning of year	$ (8,671,313)	$ (5,609,892)
Net earnings (loss)	3,621	(318,840)
Transfer to reserve for restricted assets (Note 10)	(2,308,576)	(2,742,581)
Deficit, end of year	$ (10,976,268)	$ (8,671,313)

See accompanying notes to the financial statements.

Highway 104 Western Alignment Corporation

Balance Sheet

March 31

	2002	2001
Assets		
Project bank accounts	$ 482,740	$ 479,609
Inventory	21,820	24,533
Prepaids (Note 3)	364,608	316,518
Receivables (Note 4)	201,950	145,503
Restricted assets (Note 5)	12,768,884	10,541,555
Facility (Note 6)	115,062,126	117,521,362
Deferred costs (Note 7)	682,754	832,069
	$ 129,584,882	$ 129,861,149
Liabilities		
Payables and accruals	$ 484,965	$ 328,205
Deferred revenue	525,181	497,018
Long term debt (Note 8)	81,407,630	80,779,637
Payable to the Province of Nova Scotia (Note 9)	250,000	250,000
Deferred government assistance (Note 2)	51,063,568	52,156,372
	133,731,344	134,011,232
Shareholder's Deficiency		
Capital stock, one no par value share issued and outstanding in favour of the Province of Nova Scotia	1	1
Reserve for restricted assets (Note 10)	6,829,805	4,521,229
Deficit	(10,976,268)	(8,671,313)
	(4,146,462)	(4,150,083)
	$ 129,584,882	$ 129,861,149

Commitments and contractual obligations (Note 12)

See accompanying notes to the financial statements.

Highway 104 Western Alignment Corporation

Statement of Cash Flows

Year Ended March 31

	2002	2001
Increase (decrease) in cash and cash equivalents		
Operating		
Net earnings (loss)	$ 5,621	$ (318,840)
Government assistance amortization	(1,092,804)	(1,040,766)
Amortization of deferred financing fees	35,433	35,434
Amortization and depreciation	2,576,310	2,455,511
	1,522,560	1,131,339
Change in non-cash operating working capital (Note 11)	83,099	(110,790)
	1,605,659	1,020,549
Financing		
Increase in long term debt, net	627,993	2,045,661
Investing		
Increase in restricted assets	(2,227,329)	(2,742,581)
Construction of facility	(3,192)	(200,159)
	(2,230,521)	(2,942,740)
Net increase in cash and cash equivalents	3,131	123,470
Cash and cash equivalents, beginning of year	479,609	356,139
Cash and cash equivalents, end of year	$ 482,740	$ 479,609

See accompanying notes to the financial statements.

Highway 104 Western Alignment Corporation
Notes to the Finanacial Statements *March 31, 2002*

1. Nature of operations

The Corporation has been established for the purpose of financing, designing, constructing, operating and maintaining the Facility consisting mainly of a 45 km stretch of highway (referred to as the Highway 104 Western Alignment) between Masstown and Thomson Station in the Counties of Colchester and Cumberland, Nova Scotia.

2. Summary of significant accounting policies

Pre operating and operating periods - The pre-operating period was the twenty month construction period commencing April 1, 1996 until the date of acceptance in November 1997. Operations began December 1, 1997.

Facility - The Facility consists of the highway referred to as the Highway 104 Western Alignment and the toll plaza constructed on the highway. The costs of the facility include certified progress payments to the Facility's contractor, independent engineer fees, professional fees and interest costs incurred during the pre-operating period. These costs are being amortized commencing at the start of the operating period until March 31, 2026 using the sinking fund method with an annual compounding rate of 5%.

Deferred costs - start up - Administrative expenses incurred during the pre-operating period have been deferred as start-up costs and are being amortized to operations, on a pro-rata basis, over a five year period commencing at the start of the operating period.

Deferred costs - financing fee - Financing, commitment and bondholder representative fees related to the establishment and placement of the senior and junior toll revenue bonds have been deferred and are being amortized to operations over the term of the related bond debt commencing at the start of the operating period.

Deferred government assistance - Government assistance provided by the Province of Nova Scotia has been recorded as a deferral and is being amortized to operations over thirty years commencing at the start of the operating period using the sinking fund method with an annual compounding rate of 5%.

Cash and cash equivalents - Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

Use of estimates - In preparing the Company's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

3. Prepaids

	2002	2001
Operating expenses	$ 79,365	$ 51,273
Advance to operator	285,243	285,243
	$ 364,608	$ 336,516

4. Receivables

	2002	2001
Harmonized Sales Tax	$ 53,455	$ 41,348
Other	148,495	160,953
	$ 201,950	$ 135,301

5. Restricted assets

	Cash	Investments	2002 Total	2001 Total
Senior debt service reserve account	$ 365	$ 3,639,947	$ 3,640,312	$ 3,640,310
Capital reserve account	265	4,692,875	4,693,140	3,121,248
Major maintenance reserve account	491,140	1,944,292	2,435,432	1,760,274
	$ 491,770	$ 10,277,114	$ 12,768,884	$ 8,521,832

Investments are recorded at cost, have a weighted average term of 6.0 months to maturity and a weighted average interest rate of 2.84%. The market value of the investments approximates the carrying value.

The following restricted amounts have been established in accordance with certain agreements between the Corporation and the senior and junior bondholders and an Omnibus Agreement between the Corporation and the Province of Nova Scotia.

(i) The capital reserve account has been established to provide funds to pay for unexpected damages to the assets and operating results and, by agreement, it must always have funds on deposit to pay the next interest payment.

(ii) The senior debt reserve account has been established to provide a reserve of funds to be available for payments as they come due for the senior toll revenue bonds. Funds can only be transferred from this fund when funds in the capital reserve account are insufficient to pay senior toll revenue bond payments. The account should maintain sufficient reserves equal to 12 months principal and interest payments due on the senior toll revenue bonds. The replenishment of the reserve comes from the capital reserve account.

(iii) The major maintenance reserve account has been established for the purpose of paving major maintenance repair and rehabilitation expenses. This reserve is funded from the capital reserve account in accordance with a maintenance budget recommended by the Independent Engineer through the terms of the major maintenance reserve fund agreement.

6. Facility

	Cost	Accumulated Depreciation	2002 Net book Total	2001 Net book Total
Facility	$124,622,621	$ 9,560,495	$115,062,126	$117,321,362

7. Deferred costs

	2002	2001
Start up	$ 75,921	$ 189,803
Financing fees	606,833	642,266
	$ 682,754	$ 832,069

8. Long term debt

	2002	2001
Senior toll revenue bonds bearing interest at 10.13%, maturing March 31, 2026, repayable in partial interest payments from June 30, 1998 until March 31, 2000 and then 80 equal blended quarterly payments of interest and principal of $2,251,191. Interest from the date of issue has been capitalized as part of the principal and continued to be fully capitalized until June 30, 1998. As security, the Corporation has provided an assignment of all the present and future property and assets, including rights to operate the Facility, a security interest in the Debt Service Reserve Account and the Major Maintenance Reserve Account.	$ 69,890,604	$ 69,537,574
Junior toll revenue bonds bearing interest at 10.76%, maturing March 31, 2011, repayable in interest payments only from June 30, 1998 until March 31, 2001 and then 40 equal blended quarterly payments of principal and interest of $503,395. Interest from the date of issue has been capitalized as part of the principal and continued to be capitalized until June 30, 1998. As security, the Corporation has assigned a second charge security interest in all security pledged to senior toll revenue bondholders.	11,517,026	12,242,093
	$ 81,407,630	$ 81,779,667

Minimum principal repayments required will begin in year 2002 and are as follows:

2003	$ 806,256
2004	896,354
2005	996,973
2006	1,108,652
2007	2,498,137

9. Payable to the Province of Nova Scotia

On the date of acceptance, the Province advanced $250,000 to the Corporation to facilitate the Provincial subsidy. Under the First Amendment to the Omnibus Agreement, the Province reduced the tolls for transponder users and created a Provincial subsidy payable to the Corporation to offset the reduction. The advance is to be repaid to the Province on the earlier of the date when the toll rates are reinstated to the original rates as laid out in the Omnibus Agreement or when the Corporation has fully extinguished its obligations under the Senior and Junior Bond Indentures.

10. Reserve for restricted assets

The capital reserve account is to be funded from excess funds in the Project Bank Account. In addition, any interest earned on restricted assets forms part of the reserve account.

	2002	2001
Reserve for restricted assets, beginning of year	$ 4,521,229	$ 1,778,648
Transfers from project account	10,780,000	8,690,000
Interest income	485,205	564,321
Long term debt payments, including interest	(7,652,141)	(6,081,952)
Major maintenance payments, including HST to be recovered	(1,304,488)	-
Rebate to Province	-	(429,788)
	2,308,576	2,742,581
Reserve for restricted assets, end of year	$ 6,829,805	$ 4,521,229

11. Supplemental cash flow information

	2002	2001
Change in non-cash operating working capital		
Inventory	$ 2,713	$ 2,112
Prepaids	(48,090)	(37,164)
Receivables	(56,447)	451,763
Payables and accruals	156,760	(522,771)
Deferred revenue	28,163	15,270
	$ 83,099	$ (110,790)
Cash and cash equivalents consist of:		
Cash on hand and balances with banks	$ 482,740	$ 479,609
Interest paid	$ 6,927,124	$ 6,081,952

12. Commitments and contractual obligations

The Corporation has entered into the following agreements to finance, design, construct, operate and maintain the Highway 104 Western Alignment:

Omnibus Agreement

Agreement dated April 1, 1996, between the Corporation, the Contractor, the Operator and the Province of Nova Scotia to design, finance, construct, operate and maintain the Highway 104 Western Alignment. This agreement acknowledges that the Corporation has entered into a Design Build Agreement and an Operating Agreement to fulfill its obligations to the Province.

Under this agreement, the Province of Nova Scotia retains ownership of the Facility, however, the Corporation is granted the right to operate and collect tolls for a thirty year period, at which time this right will revert back to the Province.

The Province contributed $35,000,000 to the project.

Operating Agreement

Agreement dated May 22, 1996 between the Corporation and Atlantic Highways Management Corporation (the Operator) whereby the Operator is required to operate the Facility which includes the toll collection system, toll plaza and the administration building.

Operator compensation is based on the annual operating budget plus a variable fee, subject to adjustment under certain conditions, equal to 10% of the total annual budget.

Major Maintenance Reserve Fund Agreement

Agreement between the Corporation, the Trustee and the Bondholders' Representative to provide for the major maintenance work required during the operating period of the Facility. The Agreement requires the Corporation, on an annual basis, to engage an independent engineer to report on all major maintenance work to be completed in the upcoming year, as well as a major maintenance budget to determine the required annual amount to be deposited in the Major Maintenance Reserve Account. The maximum annual fee is $50,000. The agreement with the independent engineer is scheduled to be renewed November 15, 2002.

The estimated deposits required to fund anticipated major maintenance for the next five years are as follows:

2003	$ 700,000
2004	700,000
2005	700,000
2006	700,000
2007	700,000

Annual Roadway Maintenance Agreement

Five year agreement between the Corporation and the Department of Transportation and Public Works of the Province of Nova Scotia to provide annual roadway maintenance services for an annual fee of $650,000 commencing April 1, 1999 and subsequently adjusted thereafter for inflation. The agreement with the Department of Transportation is scheduled to be renewed in March 31, 2003.

Other

The Corporation has also entered into various operating lease agreements for equipment and office space. The minimum lease payments for the next four years are as follows:

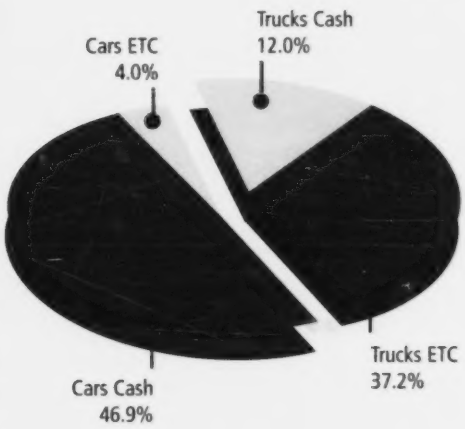
2003	$ 27,346
2004	27,346
2005	27,346
2006	18,232

Financing

- Construction cost: $112 .9 million
- Provincial contribution: $27.5 million
- Federal contribution: $27.5 million
- $5.5 million in subordinated notes invested from the provincial pension fund
- $60.9 million provided by the sale of bonds to private investors underwritten by Newcourt Credit Group of Toronto
- Toll revenues over 30 years will provide the investors a return; pay for toll operations; cover the $650,000 for annual maintenance provided by the Nova Scotia Department of Transportation and Public Works; and contribute to long-term maintenance.
- The money borrowed from the private sector by the Highway 104 Western Alignment Corporation through Newcourt Credit Group is borrowed on the security of tolls not on the financial guarantees of the province.
- $3.50 per car; $2.50 per axle for trucks over five tonnes, $4.50 per recreational vehicle.
- $40 to buy a transponder, an electronic devise mounted on a vehicle to automatically deduct tolls from a pre-paid computerized account.

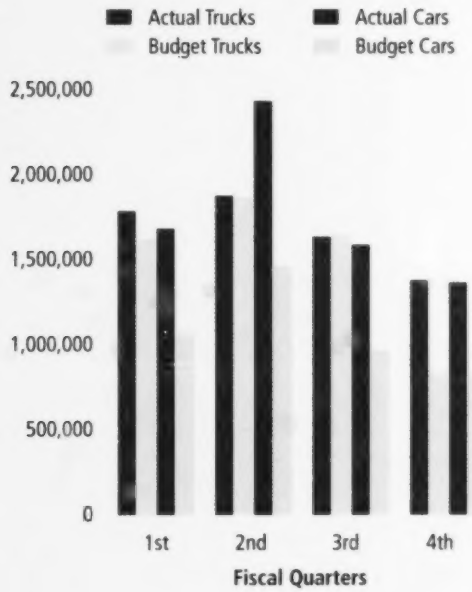
Cash Toll and ETC Revenue

April 1, 2001 to March 31, 2002 (Audited)



Revenue Versus Day 1 Projections

For the Fiscal Year Ending March 31,2002 (Audited)



Highway 104 Western
Alignment Corporation

1969 Upper Water Street
Suite 1305
Halifax
Nova Scotia

T 902.422.6764
F 902.422.6401
E dpiercey@highway104.ns.ca
W www.cobequidpass.com